NASAA

Before You Buy a Brokered CD, **Take Notes!**

(If you don't know the salesperson, feel free to hang up!)

Date: Time:

❑ Call made ❑ Call received ❑ Meeting Location:_______________

Name of Salesperson: Phone:

Name of Firm: Phone:

Broker's CRD No. ❑ Obtained CRD Report*

Make copies of this form to have handy and use it to make notes of conversations with your salesperson or adviser. Be sure to record details of the recommendations you receive and the instructions you give. Keep the notes in your files.

1 **Investment Recommendation**

❑ Buy ❑ Sell

Who is the issuer of the CD?

What is the maturity date of the CD?

Are there call features? How do they work?

How much of my money will I get back if I redeem the CD before maturity?

Reasons for recommendation

How does this meet my investment objectives?

What are the risks?

I asked to receive written information about the CD before making a decision.
❑ Yes ❑ No

What is the interest rate you will be paid?____________________

Can the interest rate change?
❑ Yes ❑ No

How is interest paid?
❑ Check ❑ Electronic Fund Transfer

Who holds the CD?

What is the broker's commission?

Amount of any custodian fees?

My Instructions
❑ Do nothing ❑ Buy ❑ Sell

*** Call your securities regulator to obtain the CRD report, which discloses any disciplinary incidents on your salesperson.**

If you suspect wrongdoing, please contact your securities regulator. The phone number of your securities regulator can be obtained by checking the government listings in your telephone book, calling NASAA at 202-737-0900, or visiting www.nasaa.org on the Internet.

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

Investors often turn to federally insured certificates of deposit, sold by banks or brokers, when stock markets are volatile. Rising interest rates and stock market drops have made CDs more attractive, especially to older investors. But what many investors don't realize – and some stockbrokers apparently aren't adequately disclosing – is that, unlike traditional CDs, with "callable" CDs only the issuer, and not the investor, can redeem the CD without a substantial penalty. Callable CDs are being marketed via newspaper ads, telephone solicitations and direct mail.

Before choosing any investment, it is important to determine how it will fit with your financial goals and your tolerance for risk and will make sense given your income and living expenses.

If you're considering purchasing a CD, become familiar with the following terms. Also, ask the questions on the notepad when you discuss CDs that are being offered by a broker.

Glossary of terms:

1. **CD or Certificate of Deposit**: A type of deposit account that may offer a higher rate of interest than a regular savings account.
2. **FDIC or Federal Deposit Insurance Corporation:** In the event of a bank failure, federal deposit insurance protects deposits up to $100,000 per depositor that are payable in the United States. You can verify that the bank is FDIC-insured by calling the FDIC hotline, (800) 934-3342.
3. **Call Feature:** The issuing bank or brokerage firm, not the investor, may choose to terminate or "call" the CD after a fixed period of time and pay back any principal with interest. For example, a "one-year callable CD" may be "called" by the bank or firm after a year if interest rates fall.
4. **Maturity Date:** Ask to see the maturity date in writing. CDs can have maturity dates of up to 15 or 20-years.
5. **Issuer:** It is important to know which bank or thrift issued your CD because FDIC coverage is limited to $100,000 per depositor. If you have existing deposits at an institution and add a brokered CD, it may push your total deposited funds over the $100,000 limit.
6. **Deposit Broker:** Typically CDs are sold in banks but brokerage firms, because they bring a large amount of deposits to a bank, can also offer CDs by negotiating a higher rate of interest. The brokerage firm can then divide the CD into smaller amounts and offer a fractional interest of the CD as a "brokered CD" to customers.
7. **Interest Rate:** Interest rates may be fixed or variable and are paid on a timetable--monthly, semiannually, or annually. Payments are made by check or an electronic transfer of funds. Variable interest rates can be tied to an index, such as the stock market, and could go down or disappear altogether. When comparing interest rates, make sure to look at the annual percentage yield (APY).
8. **Step-Up or –Down CDs:** CDs with a "step-up or –down" feature have a fixed interest rate for a period of time, usually one year. "Step-up" CDs have a higher rate in subsequent years while "step-down" CDs have a lower rate in subsequent years.
9. **Penalties for Early Withdrawal:** If you want to cash in your CD prior to the maturity date, you may have to pay a penalty to withdraw your CD and lose part of your principal. The liquidation price for the CD is set by the brokerage firm that sold the CD. The firm has no obligation to buy the CD back at its face value so cashing the CD in prior to the maturity date can often result in a significant loss of the original investment.
10. **CRD:** The Central Registration Depository is a database containing employment and disciplinary information for stockbrokers and firms. Call your state securities regulator to request a CRD report and determine if the person selling you an investment is registered to do business in your state.